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## Economy shows “early signs of sustainable strength”: S&P

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By Editor Test      *Wed, Aug 22, 2012*

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Growth for 3Q 2012 currently stands at 0.90%, considerably better than the negative 2% growth expected at the start of second quarter earnings season, according the August 17th Lookout Report from S&P Capital IQ’s Global Market Intelligence unit.

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These views are published in the *Lookout Report for August 17, 2012*. The report also features market insights and commentary on corporate earnings, leveraged loan trends, and commodity index activity.

Highlights of the August 17th *Lookout Report* include:

**The Indian stock market is uninviting.** An “anemic outlook for the national economy and a sharp decline in foreign direct investment signal potentially acute currency weakness [are] symptomatic of a prolonged period of internal economic adjustment. Such a scenario could prove discouraging for bond and stock investors alike.”

**Global sales of S&P 500 companies “difficult to obtain.”** In 2002, S&P Indices removed foreign companies from the S&P 500 Index, rendering Although the S&P 500 Index is a pure U.S. play (foreign companies were removed in 2002) a company classified as U.S. can be global. A company’s reports often show its globalization, but exact sales and export levels are difficult to obtain.

**Refinance flood; high-yield “on fire”:** In the first 17 days of August, arrangers have launched about \$11.2 billion of institutional loans, versus \$19.9 billion in all of July 2012 (and far ahead of the \$1.4 billion in August 2011, when S&P’s Ratings Services downgraded U.S. debt). The high-yield market has been “on fire,” with \$19.2 billion of deals printing in the month to date, versus \$21.2 billion in all of July and \$7.3 billion in August 2011.

**Europe is a drag:** Europe’s slowdown activity is the “main drag on the global economy,” according to recent global data releases Risk-reward profiles—as measured by average R2P scores—have deteriorated throughout the world in August ,with decreasing returns and increasing market risk. The score decline was even sharper in Europe.

**A review of technology IPOs:** The GMI research team examined the performance of U.S. tech IPOs with proceeds of \$500 million or greater that came to the market since Google’s debut in August 2004. We found that Facebook shares have slumped by more than 42%, while Freescale Semiconductor Ltd. shares

have gained more than 20%.

**Energy and “backwardation” lead index gains:** Middle East tensions have been a main driver of petroleum price gains in August. Agricultural prices have declined. Backward shaped futures curves have boosted commodity investor returns, adding to total returns for the index.

The *Lookout Report* provides cross-market and cross-asset class views of current data and forward-looking insights from S&P market specialists who focus on aggregated corporate earnings, market and credit risk evaluation, capital markets activity, index investing and proprietary data and analytics. It can be accessed on S&P.com, the S&P Global Credit Portal and Capital IQ.

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